

**STATE OF MICHIGAN
DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE REGULATION**

Before the Commissioner of the Office of Financial and Insurance Regulation

In the matter of:

Freedom Debt Management, Inc.

Enforcement Case No. 10-10970

Respondent

_____ /

Issued and entered
this 7th day of December 2010
by Stephen R. Hilker,
Chief Deputy Commissioner

ORDER TO CEASE AND DESIST

The Office of Financial and Insurance Regulation (OFIR) of the Michigan Department of Energy, Labor & Economic Growth, pursuant to the Michigan Administrative Procedures Act of 1969, 1969 PA 306, as amended; MCL 24.201 *et seq.*; the Debt Management Act, 1975 PA 148, as amended; MCL 451.411 *et seq.* (Act), and the rules promulgated under the Act, says that:

**I.
BACKGROUND**

1. Freedom Debt Management, Inc. (hereinafter "FDM" or Respondent) is a business with offices located at 941 A Clint Moore Road, Boca Raton, Florida 33487 and 4000 North Federal Highway, Suite 202, Boca Raton, Florida 33431.
2. OFIR is responsible for the licensing and regulation of debt management companies and the enforcement of the provisions of the Act.
3. At all times pertinent to the matter herein, FDM was not licensed by OFIR to provide debt management services to residents in the state of Michigan.
4. In August 2009, OFIR received a complaint from a "Michigan client" alleging that in February 2004, the "Michigan client" entered into a contract for debt management services with FDM. Pursuant to the contract between FDM and the "Michigan client", FDM was responsible for collecting payments from the "Michigan client" and remitting said payments to the "Michigan client's" creditor, HSBC Card Services, Inc.

5. OFIR subsequently conducted an investigation of FDM, and based on the information OFIR obtained from FDM, it appears that FDM is providing debt management services to residents of the state of Michigan.
6. A review of the contracts between FDM and its client indicate the following:
 1. Purpose. Client (debtor) hereby retains FDM and FDM hereby agrees to assist Client in making monthly payments to Client's creditors.
 2. Services. Such retention consist of and FDM agrees to perform the following services for client: 1)FDM agrees to use commercially reasonable efforts, time, and resources to work with Client to evaluate Client's debt status, 2) effectuate a program which would reduce and/or restructure Client's monthly payments (the "program"), and 3) FDM shall effectuate the program by collecting funds from Client and distributing them to the creditors in the program within a reasonable time after the client's monthly payment has cleared FDM's account ("the services"). FDM Service Agreement.
7. FDM financially analyzes its clients financial condition to determine a reasonable payment to be paid to its clients' creditors, and FDM's clients also authorize FDM to expressly communicate, discuss and negotiate payments, terms and condition of their credit accounts.
8. FDM is currently providing debt management services to at least fifty-three Michigan residents.

WHEREAS, Section 2(a) of the Act, MCL 451.412(a), states that the business of debt management means providing or offering to provide debt management to 1 or more residents of this state; and

WHEREAS, Section 2(d) of the Act, MCL 451.412(d) of the Act, MCL 451.412(d), states that debt management means the planning and management of the financial affairs of a debtor and the receipt of money from the debtor for distribution to a creditor in payment or partial payment of the debtor's obligations; and

WHEREAS, OFIR has information that Respondent is engaged in debt management and/or the business of debt management within the state of Michigan; and

WHEREAS, Section 4(1) of the Act, MCL 451.414(1), requires all persons located within or outside the boundaries of the state of Michigan to be licensed in order to conduct debt management business in the state of Michigan; and

WHEREAS, Respondent FDM is not licensed with the State of Michigan under the Act; and

WHEREAS, Section 4(1) of the Act, MCL 451.414(1), provides that a contract of debt management as defined by this Act made by a person without a license is null and void; and

WHEREAS, based on the foregoing, OFIR staff recommends that the Commissioner finds that Freedom Debt Management, Inc. is engaged in acts or practices that violate Section 4 of the Act and Rules promulgated under the Act; and

WHEREAS, this action is necessary, appropriate and in the public interest for the protection of the public, and consistent with the purposes fairly intended by the policy and provisions of the Act.

IT IS THEREFORE ORDERED that, pursuant to Section 23 of the Act, MCL 451.433, and Section 24 of the Act, MCL 451.434, that:

1. Respondent Freedom Debt Management, Inc. shall immediately CEASE AND DESIST from transacting the business of debt management in the state of Michigan without being licensed under the Act.
2. Within 30 days of the issuance and entry of this Order, Respondent shall immediately cancel any and all debt management contracts it has with residents of the state of Michigan.
3. Within 30 days of the issuance and entry of this Order, Respondent shall refund all the fees Respondent collected from Michigan residents who entered into a debt management contract with the Respondent.
4. Respondent shall provide its Michigan clients with a list of debt management companies licensed by OFIR, and transfer all of its Michigan accounts to a Michigan licensed debt management company, within 30 days of the issuance and entry of this Order.
5. Within 45 days of the issuance and entry of this Order, Respondent shall provide OFIR with written documentation indicating that it has provided its Michigan clients with a list of Michigan licensed debt management companies, and transferred its Michigan client accounts to a debt management company licensed by OFIR.
6. Respondent shall, within 45 days of the issuance and entry of this Order, provide OFIR with the name(s) of the licensed debt management company it has transferred its Michigan client accounts to, this document shall also include the names and addresses of the Michigan residents whose accounts have been transferred to a licensed debt management company.

7. Failure to comply with this ORDER will subject Respondent Freedom Debt Management, Inc. to one or more of the following:
 - (a) A person who knowingly authorizes, directs, or aids in violation of a final cease and desist order, or who knowingly fails to comply with the terms of a final cease and desist order, is guilty of a misdemeanor, and may be fined not more than \$5,000.00, or imprisoned for not more than 6 months, or both. Each violation constitutes a separate offense.
 - (b) A person who violates an injunction or a cease and desist order issued pursuant to this act is guilty of criminal contempt.
8. Any other communication regarding this Order should be addressed to the Office of Financial and Insurance Regulation, Office of General Counsel, Attention: Marlon F. Roberts, Staff Attorney, P.O. Box 30220, Lansing, Michigan 48909.

OFFICE OF FINANCIAL AND
INSURANCE REGULATION



Stephen R. Hilker
Chief Deputy Commissioner
Office of Financial and Insurance Regulation